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DEPT H FOR LYNNEA SHANE

E.O. 12958: N/A

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SUBJECT: SCENESETTER FOR CODEL PAYNE VISIT TO DAR ES SALAAM

¶1. Your visit to Dar es Salaam comes at a time when our bilateral relationship with Tanzania has never been stronger, in part because of our expansive assistance efforts in multiple sectors. Tanzania's political stability, sound macroeconomic management and enormous development needs have made it a favored recipient of donor funds, although the recent slow pace of reform and of efforts to fight corruption are increasingly of concern to donors. Roughly one third of the government's budget is financed by direct budget support. The U.S. has its largest Millennium Challenge compact with Tanzania, significant PEPFAR and PMI programs, and a range of other foreign assistance activities.

Political Background

¶2. Tanzania's long record of peace and stability make it an example for the region. President Kikwete's landslide election in 2005 marked the country's third peaceful presidential transition; he is expected to stand again and is heavily favored for the elections due in October 2010. Multi-party democracy, reintroduced in the early 1990s, has not shaken the dominance of the Chama Cha Mapinduzi (CCM), the ruling party since independence. However, the long dormant parliament is increasingly exercising its oversight function on an executive branch accustomed to governing unchecked. While elections on the mainland have generally been free and fair, serious irregularities and violence have marred elections in the semi-autonomous islands of Zanzibar, where support is evenly divided between CCM and the main opposition party. Voter registration for 2010 has already been disrupted by boycotts and clashes between opposition supporters and security forces.

Regional Leadership

¶3. Under the leadership of President Kikwete, a former Foreign Minister, Tanzania has played an increasingly prominent role in regional issues. Kikwete finished a one-year term as Chairman of the African Union (AU) in January 2009. In that role, he spoke out against military coups in Mauritania and Guinea and the unconstitutional change in power in Madagascar. Within the Southern Africa Development Community (SADC), Tanzania has played a relatively quiet but positive role with respect to Zimbabwe.

East African Community

¶4. The 2005 establishment of a customs union in the East African Community (EAC) has increased Tanzania's regional trade, especially with Kenya. However, Tanzania's concerns about economic competition, particularly from Kenya, and the designs of its neighbors on Tanzania's abundant land, have led it to resist more rapid and more comprehensive integration within the East African Community. Tanzania has balked at provisions that would permit other EAC citizens to buy land, establish residence, or enter

without a passport. The EAC leaders are scheduled to conclude an agreement on a common market protocol at a summit in Arusha in late November.

----- Refugees -----

15. Tanzania has long hosted refugees from the region's conflict areas. The number has declined from more than a million in the late 1990s to about 100,000 currently (the U.S. has provided significant support for UN operations in the refugee camps and is one of the main resettlement destinations), mainly from Burundi and the Democratic Republic of Congo. Tanzania has offered naturalization to more than 100,000 Burundi who came as refugees in 1972, an unprecedented act. Tanzania is also host to the International Criminal Tribunal for Rwanda, which is set to end in 2010.

----- Economic Background -----

16. Tanzania began an incomplete transition from socialism towards a free-market system with macroeconomic reforms in the mid-1980s, which have provided a basis for sustained moderately high economic growth. However, even with growth averaging 7 percent in this decade, the percentage of people living in poverty has declined only slightly, to one-third of the population, while continued rapid population growth has increased the absolute numbers of the poor by more than a million since 2001 and threatens to overwhelm an already fragile social service system. Roughly 80 percent of the population is engaged in mostly small-scale agriculture, while per capita GDP is about USD 415. Although the global financial crisis has significantly affected the tourism industry, one of Tanzania's top foreign-exchange earners, economic growth of 5 percent is projected for 2009. High food prices since a spike in 2008 have contributed to a rise in inflation to over ten percent, a substantial increase from more moderate inflation earlier in the decade.

----- Business and Investment Climate -----

17. Two years after the World Bank Doing Business Index called Tanzania a "top reformer," the pace of reform has stalled. In addition to bureaucratic obstacles, investors face poor infrastructure, a population with a limited skills base, and widespread corruption. Strained capacity at the port of Dar es Salaam delays cargo twice as long as at the competing port of Mombasa. Power generation, heavily reliant on hydropower, has run far behind rising demand, leading to frequent blackouts. The Kikwete government's efforts to fight corruption have been fitful. Late 2008 saw the first major court cases on grand corruption, with the arrests of individuals whose companies allegedly siphoned funds from the Bank of Tanzania, along with several Bank employees, and the separate arrests of two long-serving former ministers on corruption-related charges. Since then, the cases have progressed slowly and several other well-publicized scandals have yet to result in prosecutions.

----- U.S. - Tanzanian Bilateral Relationship -----

18. Since the election of President Kikwete in December 2005, U.S.-Tanzanian bilateral relations have significantly deepened. President Kikwete's pro-American stance, coupled with an increasing level of U.S. assistance, has been the catalyst for this change, enhancing cooperation in sectors from health and education to counterterrorism and military affairs. President Kikwete has visited the U.S. several times since taking office, including an official visit in August 2008 and a meeting with President Obama in May 2009 (the first African Head of State received in the White House by President Obama). The public signing of the MCC compact during President Bush's February 2008 visit to Tanzania, and the favorable public reaction to the visit, had earlier deepened the relationship.

USG Assistance

¶9. The U.S. is one of the top donors in Tanzania, with total FY08 bilateral assistance of nearly USD 400 million. Taking into account the U.S. share of contributions from multilateral donors such as the World Bank and African Development Bank, U.S. assistance totaled USD 662 million in 2008. This does not include major private U.S. benefactors such as the Gates Foundation. Other major bilateral donors include the U.K., Sweden, Netherlands, Denmark, Norway, and the European Commission; for several of the other donors, Tanzania is among the top recipients of assistance.

Health Challenges

¶10. HIV/AIDS: Tanzania faces a mature generalized HIV epidemic, with a prevalence rate of approximately 5.8 percent and 1.4 million people living with HIV/AIDS. An estimated 440,000 individuals are clinically eligible for antiretroviral treatment; however, available services can support less than half of those in need. In FY 2008, PEPFAR provided Tanzania with over USD 313 million to support treatment, care, and prevention programs. In FY 2009, the PEPFAR planning budget is USD 308 million, and will have access to an additional USD50 million under an approved Partnership Framework. The PEPFAR program has exceeded its original PEPFAR targets of providing anti-retroviral treatment for 150,000 individuals and care for 750,000 individuals, including orphans and vulnerable children. Although the U.S. has fostered positive relationships with the Tanzanian government in the health sector, significant challenges remain, including: the need for stronger leadership in line ministries; poor health infrastructure; a shortage of health care workers; a weak government procurement system; and allegations of corruption in the public and private sectors. We recently entered into very productive negotiations with the GOT on a PEPFAR Partnership Framework Agreement, which would deepen our relationship over the coming five years. We are also working to increase our coordination with - and the effectiveness of - Global Fund grants to Tanzania for HIV/AIDS, HIV/TB and malaria.

¶11. Malaria: Malaria is the number one killer of children in Tanzania and continues to be a major cause of maternal mortality. As a focus country under the President's Malaria Initiative (PMI), Tanzania received USD 36 million in FY 2008 to support the delivery of long-lasting, insecticide treated bed-nets (LLINs), the care and treatment of malaria, the malaria in pregnancy program, and indoor residual insecticide spraying (IRS). The 2007-2008 Malaria Indicator Survey (MIS) shows malaria prevalence at less than 1 percent on the islands, advancing Zanzibar to a pre-elimination phase in malaria control. While support to the Zanzibar Malaria Control Program continues focusing on capacity building and systems strengthening for sustainability, PMI interventions in mainland Tanzania are rapidly scaling up through IRS and partnership with GOT on a multi-donor campaign to distribute LLINs to children under five and pregnant women with the goal of achieving universal bednet coverage in the near term.

¶12. Maternal and Child Health and Family Planning: USG assistance through USAID has played a role in reducing infant mortality by 32 percent since 1999, but the rate is still unacceptably high (112 per 1000 lives births; 2004 DHS). Maternal mortality and fertility rates remain unacceptably high (578 per 100,000 and 5.7 per woman respectively; 2004 DHS) and have not changed appreciably for the past 15 years. USAID will continue to use Child Survival and Health funds (USD 19 million in FY08) to reduce infant mortality by 25 percent over the next five years by controlling malaria, providing six to eight million children with life-saving nutritional supplements, providing training and improving facilities for maternal health, and scaling up family planning services for better reproductive health. USG programs work in partnership with the Government of Tanzania and NGOs to upgrade health care systems, norms and standards at the national and local levels.

Education

¶13. Like other countries undergoing a rapid expansion of their education system, Tanzania is faced with challenges of capacity and education quality. Schools lack sufficient teaching and learning materials at all levels. Classrooms are overcrowded despite double or triple shifts. There is an acute shortage of teachers and the majority of teachers lack adequate qualifications, particularly in English, science and mathematics. USAID and GOT have recently approved a new Education Objective with USD 11 million in FY09 funds focused on: improved quality in lower primary education (reading, math and science); teacher training; learning materials such as provision of textbooks; and improved educational quality through capacity building for educational management systems.

Millennium Challenge Corporation

¶14. In September 2008, the MCC Compact signed by Presidents Kikwete and Bush entered into full force and effect. It is the largest Compact signed to date (USD 698.136 million) and is targeted to address significant weaknesses in Tanzania's long-neglected transport (roads and an airport), energy, and water infrastructure. A significant amount of required preparatory work (environmental studies, finalization of technical designs, and planning for resettlement and compensation) has been completed. Construction supervision contracts for all main roads have been competed and awarded, and the first construction works contract should be awarded in the next few weeks. Several other contracts for energy activities are currently being tendered. On the strategic political front, our message continues to be that a Compact is an agreement of reciprocal responsibilities; to sustain it over five years, Tanzania must pay heed to its corruption index and be vigilant at all levels to ensure transparency and accountability in governance. A planned hydropower plant in Kigoma was recently stalled due to the discovery of three newly identified endemic species (two fish and a snail) whose habitat would be destroyed or critically altered by the plant as designed. However we are working closely with GOT to come up with a substitute activity that could be completed by MCC's September 2013 deadline and help bring power to Kigoma.

Food Security

¶15. While Tanzania performs relatively better than its neighbors in food self-sufficiency, malnutrition is rampant among children under five. USAID's proposed food security program is designed to increase food production and availability (staples), and strengthen secondary value chains (horticulture and livestock), in order to improve household income diversification and nutrition, particularly for women and small holder farmers. The plan is aligned with Tanzania's Agricultural Sector Development Plan (through 2015) and the 2009 "Agriculture First" initiative. The USD 37.7 million Financial Crisis Initiative (FCI) for Tanzania announced this month is targeted at enhancing food security in the short-term through school feeding and employment programs in areas most affected by the global economic slowdown. FCI funds will also contribute to improved access to credit for agri-businesses and strengthening of economic forecasting and budget processes at the central level to cushion the effects of future economic shocks.

Democratic Governance

¶16. With USD 4.2 million in FY09 funding, USAID is supporting ongoing programs to build civil society capacity and accountability and transparency in local government spending through Public Expenditure Tracking at the community level. Governance funds will also be used for election monitoring and civic education in the run-up to the October 2010 elections.

Military-to-Military Relations

¶17. Under the Kikwete administration, the GOT has begun participating in international peacekeeping operations. Most significantly, Tanzania is in the process of deploying a battalion to Darfur as part of the UN peacekeeping mission. The U.S. provided training to that battalion and plans to train others through the African Contingency Training and Assistance (ACOTA) program. Evidence of deepening military-to-military ties between the USG and GOT include the establishment of a Civil Affairs Team, which is carrying out humanitarian projects and helping build civil military operations capacity within the Tanzania Peoples Defense Forces (TPDF), increasingly routine U.S. naval ship visits (the one in 2007 was the first since Tanzania's independence), and an expanding DOD PEPFAR program.

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